

May/June 2016 End Semester Examinations

Master of Business Administration (MBA)  
INTERNATIONAL TRANSPORTATION AND LOGISTICS/  
PORT AND SHIPPING MANAGEMENT  
Second Semester (From 2015-2016 batch onwards)

International Business (PG21T2205/PG22T2205)

Date : 13.06.2016

Maximum Marks: 60

Time: 3 Hrs

Pass Marks : 30

Section- A

Answer all Questions

(12 x 1=12 Marks)

1. International business includes
  - i. Inter government transactions between nations
  - ii. Private business between countries
  - iii. Logistics across boundaries
  - iv. All of the above
  
2. Which of these are not true of MNCs?
  - i. Franchisee agreement
  - ii. Establishing a subsidiary in foreign soil
  - iii. Any foreign company opening its Indian branch
  - ~~iv.~~ A South Indian company opening sales in Delhi
  
3. Wiring of the globe refers to
  - i. All round electrification
  - ii. Connecting globe by a single communication network
  - ~~iii.~~ A broad platform for communication
  - iv. None of the above
  
4. BOP signifies
  - i. The excess of exports over imports
  - ii. Balance due to a nation
  - iii. Actual payment of cash by a nation
  - ~~iv.~~ Summary of transactions of an economy

5. Mercantilism means

- i. An economic system used in 16<sup>th</sup> century
- ii. Way to increase a nation's wealth
- iii. Regulation concerning all of the nation's commercial interests.
- iv. All of the above

6. When a brand is of uniform quality throughout the globe it is a

- i. Multi domestic strategy
- ii. Transnational strategy
- iii. Regional strategy
- iv. None of the above

7. International logistics includes

- i. Transport
- ii. Packing
- iii. Labelling
- iv. All of the above

8. Exchange rate is not influenced by

- i. Trade
- ii. Tariff
- iii. BOP
- iv. Ruling government

9. Economic sanctions takes place

- i. when a treaty is in progress,
- ii. after declaration of War
- iii. before signing a trade agreement
- iv. none of above

10. Which of the following is not a Regional economic agreement

- i. GATT,
- ii. FDI
- iii. ASEAN
- iv. NAFTA

11. Economic integration is favoured if

- i. Trade creation exceeds trade diversion
- ii. Trade diversion exceeds trade creation
- iii. Trade diversion equals creation
- iv. None of the above



12. UNCTAD stands for
- i. United Nations Committee on Trade and Development
  - ii. United National Confederation on Trade and Development
  - iii. United Nations Conference on Trade and Development
  - iv. United Nations of Cooperation on Trade and Development

### Section B

**Answer any 5 questions. The answers should not exceed 200 words** (5 x 4 = 20 Marks)

13. Define Globalisation. Outline its impact briefly
14. Write a short note on TRIAD
15. Identify the significance of culture in international business
16. Write an essay on any 2 theories of International trade
17. Enumerate Barriers to trade with examples
18. Illustrate production strategy and HR strategy in IB
19. Write a short note on NAFTA and EU

### Section -C

**Question No 20 is compulsory. Answer any THREE from the remaining.**

**The answers should not exceed 500 words.**

**(4 x 7 = 28 Marks)**

20. Read the following case study and answer the questions at the end.

#### **Starbucks –The case of an International brand’s Expansion Strategy**

Starbucks announcement that it will close 600 stores in the US is a long-overdue admission that there are limits to growth.

In February 2007, a leaked internal memo written by founder Howard Schultz showed that he recognized the problem that his own growth strategy had created: “Stores no longer have the soul of the past and reflect a chain of stores vs. the warm feeling of a neighborhood store.” Starbucks tried to add value through innovation, offering wi-fi service, creating and selling its own music. More recently, Starbucks attempted to put the focus back on coffee, revitalizing the quality of its standard beverages. But none of these moves addressed the fundamental problem: Starbucks is a mass brand attempting to command a premium price for an experience that is no longer special.

Either you have to cut price (or that implies a commensurate cut in the cost structure) or you have to cut distribution to restore the exclusivity of the brand. Expect the 600 store closings to be the first of a series of downsizing announcements. Sometimes, in the world of marketing, less is more.



Schultz sought, admirably, to bring good coffee and the Italian coffee house experience to the American mass market. Wall Street bought into the vision of Starbucks as the "third place" after home and work. New store openings and new product launches fueled the stock price. But sooner or later chasing quarterly earnings growth targets undermined the Starbucks brand in three ways.

**First, the early adopters who valued the club-like atmosphere of relaxing over a quality cup of coffee found themselves in a minority.** To grow, Starbucks increasingly appealed to grab and go customers for whom service meant speed of order delivery rather than recognition by and conversation with a barista. Starbucks introduced new store formats like Express to try to cater to this second segment without undermining the first. But many Starbucks veterans have now switched to Peets, Caribou and other more exclusive brands.

**Second, Starbucks introduced many new products to broaden its appeal.** These new products undercut the integrity of the Starbucks brand for coffee purists. They also challenged the baristas who had to wrestle with an ever-more-complicated menu of drinks. With over half of customers customizing their drinks, baristas hired for their social skills and passion for coffee, no longer had time to dialogue with customers. The brand experience declined as waiting times increased. Moreover, the price premium for a Starbucks coffee seemed less justifiable for grab and go customers as McDonald's and Dunkin Donuts improved their coffee offerings at much lower prices.

**Third, opening new stores and launching a blizzard of new products create only superficial growth.** Such strategies take top management's eye off of improving same store sales year-on-year. This is the heavy lifting of retailing, where a local store manager has to earn brand loyalty and increase purchase frequency in his neighborhood one customer at a time. That store manager's efforts are undercut when additional stores are opened nearby. Eventually, the point of saturation is reached and cannibalization of existing store sales undermines not just brand health but also manager morale.

None of this need have happened if Starbucks had stayed private and grown at a more controlled pace. To continue to be a premium-priced brand while trading as a public company is very challenging. Tiffany faces a similar problem. That's why many luxury brands like Prada remain family businesses or are controlled by private investors. They can stay small, exclusive and premium-priced by limiting their distribution to selected stores in the major international cities.

Question: Did Starbucks position itself right in its bid to reach out to more masses? Analyse the strategy of this international brand.

21. Identify the reasons for FDI being a favoured means to improve an economy
22. What are the factors that affect the Exchange rate
23. Outline the major issues faced by India's export sector
24. Write an essay on Porters national competitive advantage theory
25. Critically examine the role of WTO in International trade.

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